

ATTACHMENT 5

Allowable Expenses

Certain costs of doing business are excluded from gross monthly self-employment income when net monthly self-employment income is computed. Self-employment income for child care purposes is not computed the same as it is for Internal Revenue Service (IRS) purposes. The IRS forms may only be used for verification purposes.

Allowable costs for child care purposes include, but are not limited to, identifiable costs of:

1. Labor such as wages and salaries paid to employees. However, an exclusion cannot be allowed for wages paid to the farmer himself or other household members;
2. Cost of Goods Sold;
3. Raw material and supplies;
4. Seed and plants (including that needed to maintain CRP lands);
5. Fertilizer and lime;
6. The **interest** portion of (a) payment on business or operating loans; and (b) payments on income-producing real estate, and capital assets such as equipment, machinery, and other durable goods;
7. Insurance premiums for coverage of potential loss directly related to the business enterprise;
8. Taxes paid on income-producing property (including CRP property);
9. Privilege taxes such as licensing fees and gross receipts and general excise taxes that must be paid in order to earn self-employment income;
10. Business transportation costs such as costs carrying grain to an elevator, trips to obtain needed supplies, etc.;
11. Rental payments on income-producing equipment. If a farmer is renting equipment with an option to buy, the rent payments are allowed until the purchase is made;
12. Costs of repairs and maintenance of equipment; and
13. Storage and warehousing charges.